

City of Detroit

CITY COUNCIL

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ANNE MARIE LANGAN
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TO: Lovevett Williams, Director
Department of Transportation

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 21, 2010

RE: 2010-2011 Budget Analysis

14.

Attached is our budget analysis regarding your department's budget for the upcoming 2010-2011 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Friday, April 23, 2010 at 10:45 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General
Pamela Scales, Budget Director
Tom Lijana, Finance Director
Terri Wilson, Budget Department
Barbara Hansen, DTC General Manager
Kamau Marable, Mayor's Office

Department of Transportation (20)

FY 2010-2011 Budget Analysis by the Fiscal Analysis Division

Summary

The Department of Transportation (DOT) is an Enterprise Fund Agency, but historically has not been self-supporting and has relied on contributions from the General Fund in order to present a balanced budget.

DOT's total 2010-2011 recommended budget is \$164.32 million. This represents a \$15.8 million (8.7%) decrease from the current year's budget. Although DOT's net tax cost is zero, it does receive a recommended General Fund subsidy of \$55.821million in the proposed budget.

Below is a twenty-two-year history showing General Fund subsidies for the Transportation Fund:

<u>Fiscal Year</u>	<u>Budgeted Subsidy for DOT Operations</u>	<u>Budgeted Subsidy for People Mover Operations</u>	<u>Budgeted Total Transportation Subsidy</u>	<u>Ratio of DOT Operation Subsidy to Total DOT Revenues</u>
2011	\$55,821,583	\$4,905,335	\$60,726,918	36.95%
2010	80,018,789	6,229,976	86,248,765	47.86%
2009	78,355,490	6,229,976	84,585,466	49.12%
2008	73,478,147	6,229,976	79,708,123	48.05%
2007	70,155,651	6,229,976	76,385,627	47.50%
2006	77,252,604	6,229,976	83,482,580	49.06%
2005	69,614,983	7,736,137	77,351,120	45.20%
2004	68,199,900	10,265,050	78,464,950	45.00%
2003	67,575,767	10,805,300	78,381,067	37.10%
2002	73,423,721	11,374,000	84,797,721	40.60%
2001	68,477,884	10,674,000	79,151,884	39.60%
2000	55,372,845	9,255,000	64,627,845	33.60%
1999	52,372,845	9,255,000	61,627,845	32.00%
1998	55,159,845	8,500,000	63,659,845	35.60%
1997	57,058,845	8,500,000	65,558,845	38.60%
1996	43,433,734	7,374,298	50,808,032	30.80%
1995	37,986,051	5,834,000	43,820,051	29.40%
1994	26,831,243	7,248,720	34,079,963	22.30%
1993	30,423,067	7,223,115	37,646,182	23.70%
1992	35,472,696	7,670,000	43,142,696	25.30%
1991	39,523,853	3,217,060	42,740,913	28.00%
1990	33,735,578	6,000,000	39,765,578	24.82%
1989	32,454,711	7,870,000	40,324,711	24.84%
1988	39,073,768	5,904,439	44,978,207	29.88%

¹ Mayor's Recommendation in the 2010-2011 Executive Budget.

Surplus/(Deficit)

There is currently no reported General Fund surplus or deficit in DOT for 2009-2010.

At the end of Fiscal 2007-2008, per the Comprehensive Annual Financial Report (CAFR), the Transportation Fund is reporting a **\$19.51 million deficit**.

At the end of Fiscal 2006-2007, per the Comprehensive Annual Financial Report (CAFR), the Transportation Fund is reporting a **\$30.898 million deficit**.

At the end of Fiscal 2005-2006, per the Comprehensive Annual Financial Report (CAFR), the Transportation Fund is reporting a **\$20.97 million deficit**.

At the end of Fiscal 2004-2005, per the Comprehensive Annual Financial Report (CAFR), the Transportation Fund reported a **\$26.1 million deficit**.

Overtime

Fiscal Year	Overtime Spent (millions)	Surplus/(Deficit)
<i>through 3/31/10</i>	\$16.1	(11.7)
2009	22.00	(18.7)
2008	20.42	(19.09)
2007	15.66	(7.67)
2006	13.73	(5.56)
2005	18.23	(6.72)
2004	21.42	(3.40)
2003	20.96	(3.93)
2002	19.92	(2.89)
2001	21.19	(4.29)
2000	21.80	(5.31)
1999	20.74	(5.31)
1998	18.40	(3.90)
1997	16.87	(1.42)

The 2010-2011 Budget recommends an overtime budget of \$8.1 million, which is \$700,000 less than the current year.

Personnel and Turnover Savings

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2009-10</u>	<u>Filled Positions 03/31/2010</u>	<u>Mayor's Budget Positions FY 2010-11</u>	<u>Over/(Under) Actual to 09/10 Budget</u>
Transportation (20):				
200010 Administration	13	7	15	(6)

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2009-10</u>	<u>Filled Positions 03/31/2010</u>	<u>Mayor's Budget Positions FY 2010-11</u>	<u>Over/(Under) Actual to 09/10 Budget</u>
Transportation (20):				
200011 DDOT Strategic Planning Div.	8	6	7	(2)
200012 DDOT Capital Projects Div.	2	0	2	(2)
200070 Mgmt. Information Svcs.	0	0	0	0
200090 Finance	43	31	40	(12)
200100 Grants Management	0	2	0	2
200110 Customer Prog. & Comm.	14	9	12	(5)
200150 Purchase & Cont. Admin.	16	13	15	(3)
00146 Departmental Operations	96	68	91	(28)
200170 Building Maintenance	68	53	69	(15)
200230 Risk Management	8	8	28	0
00149 Plant Maintenance	76	61	97	(15)
200150 Purchase & Cont. Admin.	0	0	0	
200280 Vehicle Maintenance	352	327	317	(25)
200290 Materials Management	29	24	28	(5)
00150 Vehicle Maintenance	381	351	345	(30)
200300 Vehicle Operation	971	878	808	(93)
200330 Service Development	0	0	0	0
00151 Transportation	971	878	808	(93)
20XXXX Leave of Absence	0	11	0	11
20XXXX Worker's Comp.	0	(34)	0	(34)
20XXXX Unmatched Positions	<u>0</u>	<u>5</u>	<u>0</u>	<u>5</u>
TOTAL	<u>1,524</u>	<u>1,340</u>	<u>1,341</u>	<u>(184)</u>

The chart below shows the changes in positions by title

<u>Appropriation/Cost Center</u>	<u>Title</u>	<u>Deletions/Adds</u>	<u>Filled/Layoff</u>	<u>Vacant</u>	<u>New</u>
	Administration Office Assistant III	(1)			
	Asst. to the Mayor III	1			
	Exec. Asst. to the Mayor III	1			
	Exec. Asst. to the Mayor V	1			
	Transportation Dist. Supervisor	(1)			
	Teller	(2)			
	Sr. Accountant	(1)			
	Customer Programs and Communication Publicist I	(1)			
	Comm. Services Asst	(1)			
	Purchase & Contract Administration Auto Repair Superintendent	(1)			
	Building Maintenance General Auto Mechanic	(1)			
	Sheet Metal Worker	(1)			
	General Welder	(1)			
	Radio Maintenance Tech	(1)			
	Vehicle Operator I	(1)			
	Construction Equipment Operator	(1)			
	Electrical Equipment Technician	(1)			
	Carpenter Apprentice	2			
	Maintenance Millwright Apprentice	1			
	Steamfitter Apprentice	1			

<u>Appropriation/Cost Center</u>	<u>Title</u>	<u>Deletions/Adds</u>	<u>Filled/Layoff</u>	<u>Vacant</u>	<u>New</u>
	Sheet Metal Apprentice	1			
	Electrical Substation Wkr - Apprentice	1			
	Plumber Apprentice	1			
	Finish Painter Apprentice	1			
	Risk Management Medical Case Manager	(1)			
	Senior Service Guard General	6			
	Service Guard General	15			
	Vehicle Maintenance Asst Superintendent Trans - Rolling Stock	(1)			
	Auto Repair Foreman	(1)			
	Auto Repair Sub-Foreman	(4)			
	General Auto Body Mechanic	(2)			
	General Auto Mechanic	(35)			
	Coach Service Attendant	10			
	Electrical Repair Worker	(1)			
	General Welder	(1)			
	Materials Management Automotive Research Asst.	(1)			
Transportation					
	Vehicle Operation Transportation Emergency Dispatcher	(3)			
	Transportation Equipment Operator	(160)			
		(183)			

Significant Changes in Funding by Appropriation

Variance of 2009-2010 Budget to 2010-2011 Recommended Budget by Major Object Group

<u>Major Object Group</u>	<u>Change Amount</u>
Salaries and Wages	\$(9,242,526)
Employee Benefits	(2,199,239)
Prof/Contract Svcs	3,444,454
Operating Supplies	(5,478,773)
Operating Services	(1,578,567)
Other Expenses	-
Capital Acquisitions	-
Fixed Charges	(818,453)
Total	\$ (15,873,104)

Department of Transportation (20)

<u>Budgeted Professional and Contractual Services by Activity</u>	<u>FY 2009-10 Budget</u>	<u>FY 2010-11 Recommended</u>	<u>Increase (Decrease)</u>
Administration	\$ 245,000	\$ 2,133,120	\$ 1,888,120
Plant Maintenance & Construction	515,000	790,000	275,000
Vehicle Maintenance	-	-	-
Transportation	7,251,999	8,533,333	1,281,334
Total	\$ 8,011,999	\$ 11,456,453	\$ 3,444,454

Significant Revenue Changes by Appropriation and Source

The recommended budgeted fare box revenue of \$30.1 million accounts for 18% of DOT's operational costs. There is no increase from the current budget.

State reimbursement for operations is projected at \$51.9 million, similar to the current year.

Since 1998, the Feds no longer provide direct operational funding for transportation. The Feds will still provide capital grants for the purchasing of buses and they will now allow some transfers of operational maintenance costs to those grants that are awarded. DOT has grant funds of \$20 million budgeted, an increase of \$8 million.

Issues and Questions

1. How much in operation costs can be charged to grants? Is there a formula or a rule? The recommended operating subsidy is reduced by \$25 million, but the appropriation reductions total \$15 million. Is the \$20 million in grant funding that is budgeted the most that could be charged to grants?
2. Operationally is this a realistic budget that will allow DOT to maintain existing service levels?
3. Why was one federal grant included in the budget, when the department has never included grants before? Are operating costs still going to be charged off against other grants? Are those costs included in the budget or are they not even included? Where is the full picture of the true operational costs for the transit system? Why aren't all grants included in the budget as the department regularly receives these grants? Please provide a list of all grants.
4. Please provide a detailed list, by account, by cost center, the operating costs that will be charged to grants for the current fiscal year and next fiscal year.
5. Where is the payment to GE Capital for the buses purchased two years ago budgeted? How many more years of debt service are there?
6. Explain how the fuel account can drop by \$4.8 million to \$8.3 million, when the actual costs for 2008-2009 were \$12 million?
7. Please explain the \$2 million increase in miscellaneous contractual services.
8. Please provide a copy of this fiscal year's cash flow as well as cash flow projections through June 30, 2010.
9. How many layoffs must take place due to the budgeted staff reductions?
10. Explain to Council, very specifically, not in a generalized fashion, the affect on programs, service delivery and operations of the positions eliminated in the Mayor's Recommended Budget.

11. What user fees are charged by your agency? Are there any increases in fees charged by your agency in the Mayor's Recommended Budget? When was the last study done that compared cost to provide services to the fees generated?
12. Is there any stimulus funding included in the budget? What stimulus awards is your agency currently responsible for?
13. Is there any additional Stimulus funding the agencies are aware of that they could attempt to secure?
14. When must the currently awarded Stimulus funding be expended? Does the agency see any problems in meeting that time frame?
15. How many cars will be turned in from your agency?
16. How many employees who are turning in cars will be given a stipend?
17. How many are currently receiving a stipend?
18. What, if any, operational issues do you foresee due to the turning in of vehicles?
19. Why were the vehicles in your agency not turned in during the last fleet reduction effort?
20. Are there changes to the Charter that would improve your department's efficiency?

Attachment: Fiscal Analysis Division's Review of the 2010-2011 DTC Budget

Detroit Transportation Corporation (People Mover)

FY 2010-2011 Budget Analysis by the Fiscal Analysis Division

Summary

The Detroit Transportation Corporation (DTC) was created by the City of Detroit pursuant to P.A. 7 of 1967 as a component unit of the city for the basic purpose of acquiring, completing and operating the Downtown People Mover.

The DTC is governed by a Board of Directors consisting of six members, appointed by the Mayor without compensation or set terms. The City Council President also sits on the board.

The DTC organization structure includes twelve divisions: Administration, Executive, Accounting, Field Operations, Homeland, Human Resources, Maintenance, Marketing, Operations Administration, Quality Control, Safety, and System Operations.

The recommended 2010-2011 Budget for the DTC is \$20.15 million, \$1.7 million less than the current fiscal year budget.

The Mayor recommends a General Fund operating subsidy of \$4.9 million (24% of the operating costs) for the DTC, which passes through the Detroit Department of Transportation (DDOT). The DTC has received a General Fund subsidy of \$6.229 million for the past several years.

2009-2010 Surplus/(Deficit)

Based on documentation presented, it is unclear if the DTC is projecting a surplus or deficit.

The 2009 financial statements (CAFR) reported that the DTC ended the fiscal year on June 30, 2007 with an operating loss of \$2.0 million, a \$236,000 improvement over June 30, 2008.

Funding

Attached is the DTC budget for FY 2009-2010.

Revenues:

Operating revenue (fare gate, tokens and passes) is decreasing by \$50,000.

Non-Operating revenue has a net increase of \$321,000 - \$100,000 from interest income, \$222,000 from federal grants.

The city subsidy is decreasing from \$6.23 million to 4.90 million.

Issues and Questions

1. Since salaries are decreasing by \$1.065 million, are positions being cut?
2. How is the current fiscal year projected to end – surplus or deficit?
3. What is the unrestricted fund balance as of June 30, 2009?
4. The proposed budget has \$1 million. Please explain the capital projects.
5. Have these bonds actually been sold?
6. How much bond money has been appropriated to DTC in prior years? What is the remaining balance of those funds?
7. Was all the land totaling \$2 million that was budgeted in the last few years actually sold?

Attachments: DTC Budget 2010-2011

Detroit Transportation Corporation
COMPARATIVE BUDGET
Fiscal Years 2010 and 2011

	Final FY 09/10 Budget	Proposed FY 10/11 Budget	Variance
Operating Revenue	1,135,000	1,085,000	(50,000)
Operating Expenses			
Salaries & Fringes	5,967,607	4,902,402	(1,065,205)
Benefits	2,448,524	2,581,358	132,834
Professional Services and Consulting	579,000	629,773	50,773
Advertising & Public Relations	336,682	116,500	(220,182)
Insurance	865,785	769,000	(96,785)
Maintenance & Renovation	2,038,338	1,461,250	(577,088)
Office Supplies	22,500	73,500	51,000
Rent	207,800	224,244	16,444
Telephone & Utilities	1,010,834	986,360	(24,474)
Depreciation	7,462,740	7,534,540	71,800
Other Expenses	923,905	869,670	(54,235)
Total Operating Expenses	21,863,715	20,148,597	(1,715,118)
Operating Loss	(20,728,715)	(19,063,597)	1,665,118
Non-Operating Income			
Rental Income	22,000	22,214	214
Interest Income	250,000	350,000	100,000
Advertising Revenue	250,000	250,000	0
Miscellaneous Revenue - S.I.R Reduction	50,000	50,000	0
FTA Grant Revenue	850,000	1,320,000	470,000
ACT51 Grant Revenue	4,209,000	4,033,397	(175,603)
MDOT Rail Grant Revenue	0	0	0
CMAQ Grant Revenue	0	0	0
Sale of Real Property	0	0	0
Unified Work Program Grant	73,000	0	(73,000)
Total Non-Operating Revenue	5,704,000	6,025,611	321,611
Net Loss Before Operating Tfr	(15,024,715)	(13,037,986)	1,986,729
Operating Transfer From City	6,229,975	4,905,335	(1,324,640)
	0	0	0
Restricted Non-Operating Revenue			
City Bond Revenue	2,000,000	1,000,000	(1,000,000)
DDA Grant Revenue	0	0	0
Beam Escrow Reimb. Revenue	130,000	0	(130,000)
Net Loss After Operating Transfers	(6,664,740)	(7,132,651)	(467,911)